



The City of San Diego

Staff Report

DATE ISSUED: 7/21/2021

TO: City Council

FROM: Economic Development Department

SUBJECT: Resolution to Approve Contract with San Diego Foundation and related expenditure of \$10 Million in the General Fund to Direct Grants for Small Businesses and Nonprofits Hardest-Hit by COVID-19 Pandemic

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Council District(s): Citywide

OVERVIEW:

This resolution authorizes the City of San Diego (City) to expend \$10,000,000 in the General Fund to support the businesses and nonprofits in the industries hardest hit by the pandemic and historically underinvested communities in their ability to sustain operations, retain employees, and address other impacts caused by COVID-19. This resolution also authorizes the City to enter into a contract with The San Diego Foundation and take all necessary actions to administer and expend these funds.

PROPOSED ACTIONS:

1. Authorize the Mayor, or his designee, to enter into an agreement with The San Diego Foundation that will end by June 30th, 2022 to administer and distribute grants to qualified businesses and nonprofits negatively impacted by COVID-19.
2. Authorize the Chief Financial Officer to expend \$10,000,000 in Fiscal Year 2022 from the General Fund, Economic Development Department to The San Diego Foundation for the purpose of preventing, preparing for, and responding to the COVID-19 emergency in connection to support the need and severity of hardship small businesses and non-profits have experienced and continue to experience to sustain activities related to operations and retention of personnel or employees due to COVID-19.

DISCUSSION OF ITEM:

On March 11, 2021, the federal government passed the federal American Rescue Plan (ARP) Act funds to provide emergency assistance and health care response for individuals, families, and businesses affected by the COVID-19 pandemic. The ARP Act provides \$299.7 million in Coronavirus State and Local Fiscal Recovery Funds to the City of San Diego (City) and allows funds provided by this legislation to be used through December 31, 2024. In accordance with ARP Act language, funds may be used to:

- Provide government services to the extent of reduction in revenue due to COVID-19 relative to revenues collected in the most recent full fiscal year prior to the emergency;
- Respond to COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid impacted industries such as tourism, travel, and hospitality;
- Provide premium pay to municipal workers performing essential services to respond to COVID-19;
- Make necessary investments in water, sewer, or broadband infrastructure.

On May 14, 2021, the Mayor's May Revision to the Fiscal Year 2022 Proposed Budget included a recommendation to allocate \$14.2 million in one-time funding for programs to get San Diegans back to work through a variety of initiatives, including \$10 million in financial assistance to small business and nonprofits hardest hit by the COVID-19 pandemic. On June 14, 2021, the City Council adopted Resolution No. 313586, and subsequently approved the Fiscal Year 2022 Appropriation Ordinance O-21348 approving the Fiscal Year 2022 Adopted Budget.

The City recognizes that San Diego County Data on positive COVID-19 cases, unemployment statistics, and other economic-based metrics demonstrates that there are historically economically disadvantaged communities, businesses, and nonprofits that have been disproportionately impacted by the pandemic, with higher than average unemployment and positive cases of COVID-19. It is in the public interest to identify small local businesses and nonprofits that are most vulnerable to impacts of COVID-19, including businesses located in communities of concern such as the Promise Zone, Opportunity Zones, Low & Moderate Income Census tracts, areas of higher than average unemployment, and other economic corridors most impacted by COVID-19, and including businesses and nonprofits that have lower credit scores, operate on low profit margins, or rely on an owner's personal funds or external financing (collectively, "at-risk businesses"), to provide at-risk businesses and nonprofits with economic support to address the continued and serious negative impacts of the COVID-19 emergency on the local economy, and to promote a stable business market to which business owners and employees can return once the COVID-19 emergency is abated.

The City would negotiate and execute a nonprofit agreement with The San Diego Foundation to administer the fund and distribute the grants. The San Diego Foundation is a Section 501(c)(3) tax-exempt public charity that is organized and operated under the mission to inspire enduring philanthropy and enable community solutions to improve the quality of life in the region and a vision for just, equitable, and resilient communities under strategic priorities that include advancing racial and social justice and fostering equity of opportunity. The San Diego Foundation will provide \$2,000,000 to increase total program funding to \$12,000,000.

The San Diego Foundation has been chosen to administer this fund based on its existing framework, relevant experience, and demonstrated ability to expeditiously provide the City with the proposed services; its demonstrated history of working with at-risk and distressed businesses and nonprofits; and its relationship to and connection with organizations serving economically disadvantaged communities in the City of San Diego. The fund administrator shall comply with applicable federal, state, and local laws, ordinances, and regulations.

The distribution of funds will focus on businesses and nonprofits in or serving populations in historically economically underinvested communities, with the overall goal to ensure equity in providing financial assistance. Priority consideration will be given to businesses and nonprofits in industries most adversely impacted by the economic effects of the pandemic, and that are located in or serve the following areas:

- Promise Zone
- Low- and Moderate-Income CDBG eligible census tracts citywide
- Opportunity Zones
- Zip Codes with Higher than Average Unemployment Rates

Additionally, businesses that did not receive allocations through other financial relief efforts will be prioritized; having received previous financial assistance shall not disqualify an applicant from receiving a grant under this program.

Small businesses may be eligible for grant awards ranging from \$5,000 to \$25,000 under the following criteria:

- Self-employed workers, independent contractors, sole proprietors, and corporations with no more than 100 employees in addition to the owner;
- Businesses with a net profit under \$150,000 or gross revenue under \$250,000
- Proof of legitimacy that states that the business is located in or operating in the City of San Diego
- Businesses in operation before April 1st, 2020
- Demonstrated decline in revenue or service demand due to COVID-19

Nonprofits located in or serving areas of priority consideration may receive between \$25,000 and \$100,000 from The San Diego Foundation or up to \$25,000. The San Diego Foundation shall oversee specialized, community-based outreach in partnership with community-based organizations that targets businesses and nonprofits in areas of priority consideration before and after the application opens.

Fiscal Considerations:

The Fiscal Year 2022 Adopted budget includes an appropriation of \$10 million in the General Fund, Economic Development Department for the purpose of preventing, preparing for, and responding to the COVID-19 emergency in connection to the Small Business Relief Fund to support the need and severity of hardship small businesses are experiencing to sustain activities related to operations and retention of personnel or employees due to COVID-19.

Charter Section 225 Disclosure of Business Interests:

This action authorizes the City to enter into a nonprofit agreement. Compliance with Charter Section 225 Disclosure of Business interests will be confirmed prior to entering into the contract.

City Strategic Plan Goal(s)/Objective(s):

Goal #2: Work in partnership with all of our communities to achieve safe and livable neighborhoods

Objective #3: Invest in quality infrastructure

Objective #4: Foster services that improve quality of life

Goal # 3: Create and sustain a resilient and economically prosperous City with opportunity in every community

Objective #3: Diversify and grow the local economy

Environmental Impact:

The proposed activities related to the acceptance and allocation of ARP Act funds to projects are not a project pursuant to Section 15378(b)(4) of the State of California Environmental Quality Act (CEQA) Guidelines and are thus not subject to CEQA pursuant to 15060(c)(3) of the State CEQA Guidelines. Projects identified in the draft Action Plan have been or are in the process of being reviewed or will require review under CEQA at a future time in accordance with the City's Land Development Code. This determination is predicated on Section 15004 of the State CEQA Guidelines, which provides direction to lead agencies on the appropriate time for environmental review.

Equal Opportunity Contracting Information (if applicable):

N/A

Previous Council and/or Committee Actions:

N/A

Key Stakeholders and Community Outreach Efforts:

N/A

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Jeff Sturak

Deputy Chief Operating Officer